

Message Text

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TAGS: ETRD, EEC

SUBJECT: US/EC CONSULTATIONS: TRADE DISCUSSION

1 MTN AND RADE PLEDGE WERE DISCUSSED AT OFFICIAL LEVEL
SESSION MORNING APRIL 21 AND THEN AGAIN DURING PLENARY SESSION
JUST AFTER. PLENARY SESSION OPENED WITH SUMMARY BY DG-I
DIRECTOR GENGHERAL HIJZEN, WITH WHICH US SIDE GENERALLY AGREED,
OF OFFICIAL-LEVEL TALKS ON THESE SUBJECTS (REPORTED IN MEMCON).
PLENARY SESSION ALSO DEALT BRIEFLY WITH SEVERAL BILATERAL TTRADE
ISSUES. TALKS ON STEEL ARE REPORTED IN SEPTTEL. FOLLOWING IS
RESULT OF PLENARY DISCUSSION.

2. MTN - HIJZEN REPORTED TO THE PLENARY THAT THE OFFICIAL - LEVEL
TALKS PRODUCED AGREEMENT:

-- THAT NEW ADMINISTRATIONS IN US AND EC ARE NOW IN A
POSITION TO PUSH THE NEGOTIATIONS.

-- THERE IS NOT NEED FOR A NEW DEADLINE FOR THE
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CONCLUSION OF THE NEGOTIATIONS. EMPHASIS SHOULD
BE ON AS MUCH PROGRESS AS POSSIBLE THIS YEAR SO
THAT THE ELEMENTS OF A SOLUTION CAN BE SORTED
OUT IN 1978.

-- IT WILL BE USEFUL TO HAVE A POLITICAL PUSH FROM
HIGHEST LEVELS IN THE FORM OF SUBSTANTIAL LANGUAGE

IN THE SUMMIT COMMUNIQUE. THIS SHOULD GO BEYOND THE LANGUAGE OF THE RAMBOUILLET AND PUERTO RICO COMMUNIQUE.

ON ELEMENTS OF A PACKAGE, HIJZEN REPORTED THAT :

-- OFFICIAL-LEVEL TALKS AGREED THAT TARIFF FORMULA MUST PRODUCE SUBSTANTIAL RESULT. THE US PARTICIPANTS (FEKETEKUTY AND BARRACLOUGH) HAD EMPHASIZED THE NEED FOR AN OVERALL RESULT AT LEAST AS AMBITIOUS AS THE KENNEDY ROUND OF TARIFFS. HIJZEN CAUTIONED THAT IT WAS MORE IMPORTANT TO AVOID TIME-CONSUMING WRANGLE ON EXCEPTIONS EVEN IF THIS MEANT A SOMEWHAT LESS SUBSTANTIAL CUT.

-- ON NON-TARIFF BARRIERS, HIJZEN INDICATED THAT OFFICIAL-LEVEL HAD AGREED THAT WORK NEEDED TO CONTINUE. PARTICULAR PROBLEMS ARE SUBSIDIES, COUNTERVAIL WHERE THERE IS A STRONG US INTEREST, AND CUSTOMS VALUATION, WHERE THE EC IS ANXIOUS FOR RESULTS.

-- ON AGRICULTURE, HIJZEN INDICATED OFFICIAL-LEVEL AGREEMENT THAT THE TIME HAS COME TO STOP PROCEDURAL DISPUTES AND DISCUSS SUBSTANCE. HE INDICATED THAT EC PARTICIPANTS IN JENKINS (AND OTHER RECENT HIGH-LEVEL VISITS TO WASHINGTON HAD BEEN PLEASED TO FIND THAT THE NEW ADMINISTRATION HAS AN OPEN AND FLEXIBLE ATTITUDE ON AGRICULTURE. FOR ITS PART, THE EC RECOGNIZES THAT RESULTS ON LIMITED OFFICIAL USE

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AGRICULTURE ARE ESSENTIAL FOR A SUCCESSFUL MTN. VICE PRESIDENT HAFERKAMP AND UNDER SECRETARY COOPER TOOK NOTE OF THIS SUMMARY, STATING THAT FURTHER OPPORTUNITIES TO DISCUSS THE MTN WOULD ARISE DURING THE APRIL 21-22 VISIT OF STR AMBASSADOR STRAUSS.

3. OECD TRADE PLEDGE - HIJZEN REPORTED THAT THE US AND EC OFFICIALS HAD AGREED ON THE NEED TO RENEW THE PLEDGE. THEY HAD ALSO LEFT OPEN THE QUESTION OF ISSUING A DECLARATION OF POLITICAL INTENT, AS A PART OF THE OECD MINISTERIAL COMMUNIQUE, WHICH WOULD IN PARTICULAR ADDRESS THE QUESTION OF CONSULTATIONS OF R COUNTRIES FACED WITH PARTICULARLY DIFFICULT TRADE PROBLEMS AND PROTECTIONIST PRESSURES. HE SAID THAT EC DOES NOT OBJECT IN PRINCIPLE TO FURTHER SPELLING OUT OF COOPERATION ON PROBLEM SECTORS INVOLVING INCREASED, CONSULTATIONS BUT WANTS TO FIND WORDING WHICH DOES NOT WEAKEN THE OVERALL IMPACT OF THE PLEDGE. IN RESPONSE TO A QUESTION FROM COOPER, HIJZEN SAID THAT EC MEMBER STATES ARE NOT OPPOSED TO DEVELOPING LANGUAGE WHICH WOULD ADDRESS THE CONSULTATION QUES-

TION. HIJZEN AND COOPER AGREED THAT THQ QUESTION SHOULD BE LOOKED AT FURTHER AT THE NEXT OECD XCSS MEETING.

4. BILATERAL TRADE QUESTIONS - VICE PRESIDENT HAFERKAMP MADE THE FOLLOWING POINTS ON SPECIFIC BILATERAL PROBLEMS:

(A) FOOTWAR - THE EC WAS PLEASED BY THE US DECISION IN THE FOOT WEAR CASE.

(B) COURT CASES ON TAX REBATES - HAFERKAMP EXPRESSED CONCERN OVER THE IMPLICATIONS OF THE ZENITH DECISION FOR THE US STEEL VALUE -ADDED TAX CASE. COOPER REPLIED THAT THE USG WILL CONTINUE TO ARGUE THAT THE TAX REBATE IN THE ZENITH CASE IS NOT A BOUNTY OR A GRANT. APPEAL HAS ALREADY BEEN MADE TO NEXT HIGHER COURT AND USG IS PREPARED TO GO TO SUPREME COURT, IF NECESSARY. COOPER RECOGNIZED THAT THE REQUIREMENTS TO SUSPEND LIQUIDATION AND POST BOND LIMITED OFFICIAL USE

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CREATE CONSIDERABLE UNCERTAINTY FOR THE TRADE. HE ACKNOWLEDGED THAT A NUMBER OF FIRMS, INCLUDING US STEEL, MAY ASK FOR SUMMARY JUDGMENT IN SIMILAR CASES. USG BELIEVES IT CAN ARGUE THAT THE US STEEL CASE IS DIFFERENT ENOUGH FROM ZENITH TO RULE OUT SUMMARY JUDGMENT. MOREOVER, USG WOULD BE PREPARED TO ASK THAT COURT PUT US STEEL CASE IN ABEYANCE UNTIL AFTER ENTIRE APPEAL PROCESS HAD BEEN COMPLETED ON ZENITH CASE. HE THOUGHT THAT A GREATER DANGER IS THAT FIRMS WOULD FILE CASES IN CUSTOMS COURT ON A VARIETY OF JAPANESE EXPORTS WHICH BENEFIT FROM PRECISELY THE SAME TAX REBATE AS IN THE ZENITH CASE. FINALLY, HE NOTED THAT LEGISLATIONS BY WHICH CONGRESS IN EFFECT WOULD REMOVE VAT AS A COUNTERAVAILABLE BOUNTY IS ANOTHER OPTION IF WE LOSE ON APPEAL.

(C) SPECIALTY STEEL - HAFERKAMP EXPRESSED CONCERN OVER THE CONTINUATION OF US QUOTAS ON EC SPECIALTY STEEL EXPORTS.

(D) RHODESIAN CHROME - HAFERKAMP STATED THE EC IS PLEASED THAT THE US HAS JOINED THE EMBARGO AGAINST RHODESIAN CHROME BUT IS WORRIED THAT IMPLEMENTATION OF THE CERTIFICATE OF ORIGIN REQUIREMENTS FOR SPECIALTY STEELS CONTAINING CHOME COULD POSE TRADE DIFFICULTIES. HIJZEN ASKED WHETHER WE COULD ARRANGE A MEETING AT EXPERTS LEVEL TO SORT OUT THE TECHNICAL PROBLEMS. COOPER INDICATED GENERAL AGREEMENT WITH THIS APPROACH. HINTON

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